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Message Text

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45
ACTION EUR-25

INFO OCT-01 ARA-16 ISO-00 AID-20 IGA-02 OMB-01 TRSE-00

SS-15 L-03 H-03 NSC-10 IO-15 CIAE-00 DODE-00 INR-10

NSAE-00 PA-03 RSC-01 USIA-15 PRS-01 SPC-03 EB-11

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INFO AMCONSUL CURACAO
AMCONSUL PARAMARIBO
USMISSION EC BRUSSELS
USMISSION NATO
OECD PARIS 3492
USUN NEW YORK 779

UNCLAS THE HAGUE 4327

SUBJECT: NETHERLANDS DEVELOPMENT AID BUDGET AND RELATED POLICY

REF: HAGUE 4216 AND 4191

SUMMARY: 1974 BUDGET PRESENTED TO PARLIAMENT PROPOSES 20 PERCENT MORE FUNDS FOR DEVELOPMENT AID THAN 1973. OBJECTIVE FOR 1976 IS ALMOST TWICE AS MUCH AS 1974, AMOUNTING TO 1.5 PERCENT OF NATIONAL INCOME. PARALLEL POLICY STATEMENT ANNOUNCES EFFORTS TO USE AID TO ASSIST IN MORE EQUAL DISTRIBUTION OF BENEFITS AMONG PEOPLE AND AMONG NEEDY COUNTRIES. GON FAVORS SELF-RELIANCE AND GREATER INTERNATIONAL INFLUENCE FOR DEVELOPING COUNTRIES, AID THROUGH SDR'S, OFFICIAL DEVELOPMENT AID RATHER THAN COMMERCIAL INVESTMENTS, AND BETTER DEVELOPMENT AID CONDITIONS. END SUMMARY.

1. GON BUDGET FOR 1974 INCLUDES 1380 MILLION GUILDERS FOR DEVELOPMENT AID, 20 PERCENT OVER 1973 BUDGET OF
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1150 MILLION. IMPORTANT INCREASES INCLUDE DEVELOPMENT FINANCING VIA

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CONSORTIA AND OTHER GROUPS FROM 418.7 MILLION TO 500.2; DEVELOPMENT FINANCING VIA INTERNATIONAL ORGANIZATIONS FROM 170.6 MILLION TO 254.9; AND HUMANITARIAN AID FROM 4.8 MILLION TO 27.5. CATEGORIES MODERATELY INCREASED INCLUDE JOINT FINANCING OF NON-GOVT, UNIVERSITY AND VOLUNTEER PROJECTS, PROMOTION OF COMMERCIAL INVESTMENT, AND FOOD AID. DEVELOPMENT FINANCING FOR SURINAM AND ANTILLES DECREASED FROM 240 MILLION TO 238. SPECIFIC ITEMS OF INTEREST INCLUDE: 86 MILLION FOR INDONESIA IN IGGI FRAMEWORK, 24 MILLION FOR INDOCHINA BESIDES 4 MILLION FOR MEKONG COMMISSION, 12.5 MILLION FOR HEALTH AND EDUCATION IN COLONIAL AREAS IN SOUTHERN AFRICA (RULING OUT ANY USE FOR MILITARY OPERATIONS), 25 MILLION TO REDUCE DEBT BURDEN OR PAYMENT COMMITMENTS OF LDC'S, 40 MILLION FOR THIRD REPLENISHMENT OF IDA, AND 75 MILLION VOLUNTARY CONTRIBUTION TO UNDP.

2. MEDIUM RANGE OBJECTIVE AS STATED IN MFA POLICY STATEMENT IS TO DEVOTE 1.5 PERCENT OF NET NATIONAL INCOME AT FACTOR COST TO DEVELOPMENT AID BY 1976 ENVISAGING BUDGET AMOUNT OF 2.7 BILLION GUILDERS THAT YEAR. DEVELOPMENT AID MINISTER PRONK HAS STATED THAT 20 PERCENT INCREASE IS TOO SMALL BUT WILL HAVE TO DO FOR 1974.

3. REFLECTING OREINTATION OF NEW GOVT, MFA STATEMENT ANNOUNCES OBJECTIVES TO BENEFIT INTERNAL CONDITIONS AND INTERNATIONAL POSITIONS OF LDC'S. NEW ANALYSIS OF DEVELOPING COUNTRY PROBLEMS MUST BE MADE, IT SAYS, BECAUSE OF FAILURE TO DISTRIBUTE DEVELOPMENT BENEFITS EQUALLY AMONG NEEDY COUNTRIES AND AMONG PEOPLE WITHIN A COUNTRY. POLICY MUST FOCUS ON SELF-RELIANCE OF DEVELOPING COUNTRIES AND THEIR POSITION IN INTERNATIONAL CONSULTATIONS SHOULD BE STRENGTHENED. GON CONSIDERS PUBLIC SUPPORT PREFERABLE TO PRIVATE INVESTMENT, GRANTS PREFERABLE TO LOANS, AND GENERAL PROGRAM AID PREFERABLE TO SPECIFIC PROJECT AID. REORGANIZATION OF INTERNATIONAL MONETARY RELATIONS SHOULD ACCOMMODATE DEVELOPING COUNTRIES, INCLUDING AID FINANCING THROUGH SDR'S AND SOFTENING OF DEVELOPMENT LOANS.

4. GON WILL SEEK IMPROVED INTERNATIONAL POLICY REGARDING CONDITIONS OF DEVELOPMENT AID DEBTS, ACCORDING TO ABOVE PUBLICATION. IT WILL SUPPORT INTERNATIONAL STUDIES TO DETERMINE HOW FOREIGN PRIVATE INVESTMENTS AFFECT DEVELOPING COUNTRIES, AS
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WELL AS NATIONAL STUDIES ON SAME SUBJECT INVOLVING UNIONS AND EMPLOYER ORGANIZATIONS. EMPHASIS WILL BE GIVEN TO PUBLIC ENLIGHTENMENT REGARDING PROBLEMS OF DEVELOPMENT AID.

5. COMMENT: NONE OF ABOVE MEASURES OR OBJECTIVES ARE ENTIRELY NEW. THEY ARE CONSISTENT WITH POLICY OF PREVIOUS GOVT AND HAVE BEEN DISCUSSED POSITIVELY IN PARLIAMENTARY AND OTHER CIRCLES. THEY BEAR MINISTER PRONK'S IMPRINT (SEE HIS VIEWS ON AID REPORTED

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HAGUE 4191). MONETARY OBJECTIVE HAS BEEN INCREASED AND TERMS SOMEWHAT CHANGED, GOING FROM 0.7 PERCENT OF GNP IN 1975 TO 1.5 PERCENT OF NATIONAL INCOME IN 1976. POLICY OBJECTIVES HAVE BEEN SHARPENED IN FAVOR OF LDC'S. GOVT MAY FIND IT DIFFICULT TO ATTAIN PLANNED BUDGETARY LEVEL IN NEXT TWO YEARS IN FACE OF CONFLICTING NEEDS, BUT THERE IS MUCH POPULAR AND PARLIAMENTARY SUPPORT FOR THIS TREND TOWARD GENEROSITY. GOVT MAY FIND RATHER MORE DIFFICULTY GETTING AGREEMENT FROM FELLOW DEVELOPED COUNTRIES ON POLICY MATTERS.
TANGUY

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